CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 9, 2006

H.R. 5782
Pipeline Safety Improvement Act of 2006

As ordered reported by the House Committee on Energy and Commerce on September 27, 2006

SUMMARY

The Pipeline and Hazardous Materials Safety Administration (PHMSA) within the Department of Transportation (DOT) oversees the safety of pipelines that transport gas or hazardous liquids and provides grants to states for programs to ensure pipeline safety. For these activities, H.R. 5782 would authorize gross appropriations of about $330 million over the 2007-2010 period. Under the bill, about $253 million of those appropriations would be offset by the collection of fees paid by pipeline operators over the four-year period. In addition, CBO estimates that the bill would authorize PHMSA to collect almost $5 million over the 2007-2010 period to recover its costs of conducting pipeline design reviews. The agency would be authorized to spend these collections over the 2007-2011 period for its pipeline safety activities, assuming appropriation of the necessary amounts.

The bill also would authorize the appropriation of $24 million over the 2007-2010 period for PHMSA to provide grants to local governments for emergency management and would authorize the appropriation of $11 million over the same period for grants to state programs that help excavators coordinate their work with the operators of underground pipelines, grants to local communities to improve pipeline safety, technical assistance, and public awareness. Finally, CBO estimates that preparing certain studies and rules required by the bill would cost about $1 million over the 2007-2011 period.

CBO estimates that implementing H.R. 5782 would have a net cost of $98 million over the 2007-2011 period. Enacting the bill would not affect direct spending and would have an insignificant effect on revenues.

H.R. 5782 contain intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate costs to state, local, and tribal governments,

while uncertain, likely would not exceed the threshold established in UMRA ($64 million in 2006, adjusted annually for inflation).

H.R. 5782 contains private-sector mandates, as defined in UMRA, on operators of distribution and transmission pipelines for natural gas or liquids by increasing user fees, authorizing a new fee, and imposing new safety standards. Since some of the mandates in the bill would require the Department of Transportation to prescribe new safety standards for which information currently is not available, CBO cannot determine the direct costs of complying with all of the mandates in the bill or whether the total costs would exceed the annual threshold established by UMRA ($128 million for private-sector mandates in 2006, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5782 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011
SPENDING SUBJECT TO APPROPRIATION					
Pipeline Safety Spending Under Current Law					
Estimated Net Budget Authority	0	0	0	0	0
Estimated Outlays	34	10	2	0	0
Proposed Changes [a]					
Estimated Net Authorization Level	29	28	28	29	0
Estimated Net Outlays	-15	15	23	26	49
Pipeline Safety Spending Under H.R. 5782					
Estimated Authorization Level	29	28	28	29	0
Estimated Outlays	19	25	25	26	49

a. The amounts shown are the difference between the bill's authorized funding levels, estimated outlays, and estimated fee collections for each year.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5782 will be enacted early in fiscal year 2007 and that the authorized amounts will be appropriated for each year. Outlay estimates are based on the historical spending patterns of pipeline safety programs.

CBO estimates that implementing H.R. 5782 would cost $98 million over the 2007-2011 period. This estimate includes net spending of about $63 million for PHMSA's pipeline safety programs, reflecting the difference between gross authorized appropriations of about $330 million over the 2007-2010 period and authorized collections of almost $253 million from pipeline user fees over the same period. The gross authorization for those activities would average more than $80 million a year, and the fees would average more than $60 million a year. By comparison, the gross appropriation for pipeline safety activities was $72 million in 2006, and fee collections totaled almost $58 million that year. In addition, the bill would authorize the appropriation of nearly $35 million for grants to states and nonprofit organizations.

Also, the bill would permit the administration to charge fees to operators of certain pipeline facilities that require a design review by PHMSA as a part of their application to construct, expand, or operate a liquefied natural gas pipeline facility. Under current law, the administration charges fees to existing pipeline operators. The bill would allow PHMSA to charge fees to entities proposing to construct a new facility or expand an existing operation. Based on PHMSA’s review of three to five applications per year, CBO estimates that the administration would collect almost $5 million over the 2007-2010 period. Assuming appropriation of the necessary amounts, PHMSA would then spend the almost $5 million over the 2007-2011 period for its pipeline safety activities.

H.R. 5782 would impose civil penalties on any person who excavates in areas containing pipeline facilities without verifying the location of the pipelines or any person who fails to heed location information provided at the site. Collections of penalties are recorded in the budget as revenues. CBO expects that implementing the new penalties authorized by this legislation would increase revenues by less than $500,000 a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 5782 contains intergovernmental mandates as defined in UMRA because it would impose new safety standards for pipeline operators, some of which are publicly operated. While the aggregate costs of complying with these new standards is uncertain, based on information from government and industry sources, CBO estimates that the costs would not be significant and would not exceed the threshold established in UMRA.

Other provisions of the bill would authorize $126 million in grants over five years for which states and local governments would be eligible to apply.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 5782 contains private-sector mandates, as defined in UMRA, on operators of distribution and transmission pipelines for natural gas or liquids by increasing user fees, authorizing a new fee and imposing new safety standards. Because many of those mandates would require DOT to prescribe new safety standards for which information currently is not available, CBO cannot determine the direct costs of complying with all of the mandates in the bill or whether the total cost would exceed the annual threshold established by UMRA ($128 million for private-sector mandates in 2006, adjusted annually for inflation).

Pipeline Fees

Section 2 contains a mandate on gas and liquid transmission pipeline operators. Under current law, the Secretary collects fees from pipeline operators to offset a large portion of its gross appropriations. The provisions in this section would authorize the Secretary of Transportation to increase the pipeline safety user fee assessed to those operators. In general, the amount of fees collected under the bill would depend on the level of future appropriations. CBO expects that the annual fees collected over the 2007-2010 period would be higher than they were in previous years and that the fees collected would average more than $60 million a year over that period. By comparison, CBO estimates that fee collections in 2006 will total $58 million.

The bill also would authorize the Secretary to charge pipeline operators a fee to cover the cost of conducting a safety review of their facility design, which is required as part of their application to construct, expand or operate a liquefied natural gas pipeline facility. CBO estimates that operators would pay almost $5 million in such fees over the 2007-2010 period.

New Safety Standards

In addition, the bill would impose new safety standards on both liquid and natural gas pipeline operators. Under the bill, liquid pipeline operators would be required to abide by new low-stress pipeline requirements, and natural gas pipeline operators would be required to abide by new distribution integrity management requirements. Since several of the safety requirements in the bill hinge on future regulatory action, CBO cannot estimate the cost of those mandates.

PREVIOUS CBO ESTIMATE

On September 13, 2006, CBO transmitted a cost estimate for H.R. 5782, the Pipeline Safety Improvement Act of 2006, as ordered reported by the House Committee on Transportation and Infrastructure on July 19, 2006. The two bills authorize some different activities and different levels of net funding for the PHMSA.

Both versions of H.R. 5782 would impose new federal standards for operators of pipelines. The Transportation and Infrastructure Committee's version of the bill, however, also would require operators of natural gas pipelines to make certain equipment changes and to comply with new reporting requirements. Neither bill contains intergovernmental mandates that would exceed the threshold established in UMRA.

The two versions of the bill contain similar private-sector mandates. Both versions would require pipeline operators to pay more in fees and comply with new safety standards. Because the safety standards imposed would depend on how future regulators would be implemented, CBO cannot determine whether the aggregate costs in either version of H.R. 5782 would exceed UMRA's annual threshold for private-sector mandates.

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